

**CITY OF LODI
INFORMAL INFORMATIONAL MEETING
"SHIRTSLEEVE" SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, APRIL 15, 2008**

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, April 15, 2008, commencing at 7:01 a.m.

A. ROLL CALL

Present: Council Members – Hitchcock, Hansen, Johnson, and Katzakian

Absent: Council Members – Mounce

Also Present: City Manager King, City Attorney Schwabauer, and City Clerk Johl

B. TOPIC(S)

B-1 "Presentation of Electric Utility Third Quarter (Fiscal Year 2007-08) Financial Reports"

Electric Utility Director George Morrow provided a PowerPoint presentation regarding the electric utility third quarter financials. Specific topics of discussion included an overview, projected and actual financial results, 2008 fiscal year budget versus third quarter actual numbers, electric expenses, operating expenditures, power supply, sales, billing statistics, energy cost adjustment (ECA) billing statistics, Northern California Power Agency (NCPA) general operating reserve, open position, cash balance, and summary.

In response to Mayor Pro Tempore Hansen, Mr. Morrow stated approximately \$3.25 million of the increase is from the Roseville sale and the remaining is from the NCPA reserve and operating costs.

In response to Mayor Pro Tempore Hansen, Mr. Morrow stated there may be more of a savings in operating by the end of the year as projected.

In response to Council Member Hitchcock, Mr. Morrow stated the line item for other payments includes public benefit programs, including rebates, and there will be some catch up when the application process is completed.

In response to Council Member Johnson, Mr. Morrow stated there is not something specific in the budget for solar as the intent was to match straight expenses with revenues. He stated the solar program will likely be sold out with full subscription.

In response to Mayor Pro Tempore Hansen, Mr. Morrow and Mr. King stated staff will look into the possibility of absorbing the building fee costs in light of the citizen complaint; although, there is a concern regarding staying competitive.

Discussion ensued between Council Member Johnson, Mayor Pro Tempore Hansen, and Mr. King regarding the cost of solar programs in the State, the average cost to citizens to participate in solar programs, a first-time citizen complaint regarding building fees, the process of installing the solar equipment, and other cities doing similar solar projects. Council Member Hitchcock stated it appears to be a non-issue because there is not a big cost difference in the project even if the applicable solar-related building fees are reduced.

In response to Council Member Johnson, Mr. Morrow stated staff will research whether public benefit monies could be used to assist with the cost of installing solar and return with the information. Mr. King also reiterated that he has been informed that the code sections for solar installations are being revised.

A brief discussion ensued between Council Member Hitchcock and Mr. Morrow regarding citizen response to a 24 cent rate increase in the press and the need to present accurate information in response by the City through the press or by other means to inform the public at large.

In response to Council Member Johnson, Mr. Morrow stated the three major electric companies in the State, which provide service to approximately 75% of the State, all have tiered systems and the City's rates are low.

In response to Council Member Johnson, Mr. Morrow stated that, while they can do a comparison, the blocks will be different because PG&E rates are lower at the low usage rate and the City's rates are lower at the highest usage rate. Mr. King provided a brief overview of the transfer of the three-tier system to the five-tier system, high-end users, and interpreting the rate overall with taxes and fees included.

In response to Mayor Pro Tempore Hansen, Mr. Morrow confirmed that, with the new project, the long-term goal is to be more competitive with the City's economic goals and overall usage costs. Council Member Hitchcock suggested preparing a small rate comparison cheat sheet for easy reference.

In response to Mayor Pro Tempore Hansen, Mr. Morrow stated staff can look into methods to be more competitive on the lower tiers; although, in a zero sum game it is difficult to lower one tier's rate because that would mean an increase adjustment in another tier's rate. He stated there may be room for an adjustment with a new factor such as the new Lodi project.

In response to Council Member Katzakian, Mr. Morrow stated the tiers only apply to residential users.

In response to Council Member Katzakian, Mr. Morrow stated he signed off on a few residential solar programs recently and the program appears to be doing well in light of the overall costs.

In response to Mayor Pro Tempore Hansen, Mr. Morrow stated solar has gone down some over the last five years; although, the theory of a million solar homes was more of a public relations piece.

In response to Council Member Hitchcock, Mr. Morrow stated the projected figures combine the ECA and base, which is the difference between projected and actual figures.

In response to Council Member Johnson, Mr. Morrow stated the average year cost of the ECA was projected as 8.99 cents and is closer to 9.1 cents, which is on target for what was projected to industrial users. He stated that, while the ECA is applied uniformly across the board, the actual affect may be different based on a variety of factors.

In response to Mayor Pro Tempore Hansen, Mr. Morrow stated that, at the last snapshot, the industrial user rate for the City was approximately 26% less than PG&E.

In response to Mayor Pro Tempore Hansen, Mr. Morrow confirmed that the numbers do not include the recent sale of the property. Mr. Morrow stated the \$2 million figure may be accounted for at the end of this budget cycle or the next.

B-2 "Presentation of Water and Wastewater Utility Third Quarter (Fiscal Year 2007-08) Financial Reports"

Deputy City Manager Krueger provided a PowerPoint presentation regarding the water and wastewater quarterly update. Specific topics of discussion included a summary, water and wastewater financials ending March 31, 2008, water and wastewater operating expenses by series, and cash balances for both water and wastewater.

In response to Mayor Pro Tempore Hansen, Mr. Krueger stated the difference of \$3 million is due to the impact mitigation fees, which will affect the overall numbers. He also discussed the cash flow for revenues and expenses, sales revenues of 76.7%, and overall revenues of 72.1%.

In response to Council Member Hitchcock, Mr. King provided an overview of the previous Shirtsleeve Session discussion regarding the subject matter of the deficit in operations and maintenance for infrastructure and the options associated with the same.

In response to Council Member Katzakian, Mr. Krueger indicated some money was spent on infrastructure replacement and the PCE/TCE litigation did have an affect.

In response to Council Member Hitchcock, Mr. Morrow stated how quickly the \$6.9 million will be reduced is dependent upon the mitigation efforts, which will need to be reviewed and brought back.

In response to Mayor Pro Tempore Hansen, Mr. King confirmed that staff is not recommending a rate increase for the Council meeting the following night.

Discussion ensued between Mayor Pro Tempore Hansen, Council Member Hitchcock, and Mr. King regarding the different options for consideration at the Council meeting, including retroactivity, combining funds to address both operations and infrastructure replacement, the need for adjustments going forward from this point on into the future, and possibly rebalancing at this point with a possible increase in the future.

C. COMMENTS BY THE PUBLIC ON NON-AGENDA ITEMS

None.

D. ADJOURNMENT

No action was taken by the City Council. The meeting was adjourned at 8:21 a.m.

ATTEST:

Randi Johl
City Clerk



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Electric Utility 3rd Quarter FY08 Financial Report (EUD)
MEETING DATE: April 15, 2008
PREPARED BY: Electric Utility Director

RECOMMENDED ACTION: Receive a report prepared by the Electric Utility Department summarizing its financial performance for the 3rd quarter of FY08.

BACKGROUND INFORMATION: The Electric Utility Department (EUD) is responsible for reporting its quarterly financial results to the City Council.

A summary of the electric utility's financial performance for year-to-date FY08 is as follows:

- Power Costs are ~\$763K less than budget
- Non-power Costs decreased ~\$1.2M
- Revenues down ~\$148K
- NCPA "General Operating Reserve is up ~\$1.6M
- FY08 power costs are 96% hedged for the remainder of the fiscal year.
- Revenues include a one-time receipt of \$3.25M from Roseville CT1 Sale
- Overall increase in cash is about \$5.7M through 3rd Qtr (including Roseville revenue)
- Total Reserve Fund (cash) balance is \$10.9 million.

Attached is a spreadsheet comparing financial performance through the 3rd quarter with the FY08 budget.

FISCAL IMPACT: None at this time.

FUNDING: Not applicable.


George F. Morrow
Electric Utility Director

Attachment

APPROVED: 
Blair King, City Manager



FY08 Budget vs. Q3 Actual

Cash Flow			
Revenue	Budget	Actuals	% of Budget
Sales Revenues	70,072,930	53,443,880	76.3%
Other Revenues	1,528,192	3,837,842	251.1%
Total Revenues	71,601,122	57,281,722	80.0%
Expenses			
Purchase Power	42,333,517	32,854,650	77.6%
Non Power	11,649,177	8,247,706	70.8%
Total Expenses	53,982,694	41,102,356	76.1%
Net Revenue for Debt Service	17,618,428	16,179,366	
Debt Service	8,971,488	6,875,091	76.6%
Net Revenue	8,646,940	9,304,275	
In-lieu Transfer to General Fund	6,873,228	5,154,921	75.0%
Net Increase (Decrease) in Working Capital	1,773,712	4,149,354	
Beginning Cash Balance	5,162,285	5,162,285	
Changes in GOR	-	1,642,927	
Ending Cash Balance	6,935,997	10,954,566	



Electric Utility Department

FY08 Quarterly Update

(Through March 31, 2008)

City Council Shirtsleeve Session
April 15, 2008



Overview

- Power Costs are ~\$763K under budget
- Non-power Costs decreased ~\$1.2M
- Revenues down about \$148K
- NCPA “GOR” up \$1.6M
- FY08 power costs 96% hedged for Q4
- Revenues include a one-time receipt of \$3.25M from Roseville CT1 transaction
- Overall increase in cash is about \$5.7M



Q3 Financial Results

Projected vs. Actual (Y-T-D)

Cash Flow			
Revenue	Projected	Actuals	Difference
Sales Revenues	53,591,772	53,443,880	-0.3%
Other Revenues	587,842	3,837,842	552.9%
Total Revenues	54,179,614	57,281,722	5.7%
Expenses			
Purchase Power	33,617,658	32,854,650	-2.3%
Non Power	9,481,511	8,247,706	-13.0%
Total Expenses	43,099,169	41,102,356	-4.6%
Net Revenue for Debt Service	11,080,445	16,179,366	46.0%
Debt Service	6,875,091	6,875,091	0.0%
Net Revenue	4,205,354	9,304,275	121.2%
In-lieu Transfer to General Fund	5,154,921	5,154,921	0.0%
Net Increase (Decrease) in Working Capital	(949,567)	4,149,354	537.0%
Beginning Cash Balance	5,162,285	5,162,285	
Changes in GOR	-	1,642,927	
Ending Cash Balance	4,212,718	10,954,566	



FY08 Budget vs. Q3 Actual

Cash Flow			
Revenue	Budget	Actuals	% of Budget
Sales Revenues	70,072,930	53,443,880	76.3%
Other Revenues	1,528,192	3,837,842	251.1%
Total Revenues	71,601,122	57,281,722	80.0%
Expenses			
Purchase Power	42,333,517	32,854,650	77.6%
Non Power	11,649,177	8,247,706	70.8%
Total Expenses	53,982,694	41,102,356	76.1%
Net Revenue for Debt Service	17,618,428	16,179,366	91.8%
Debt Service			
Net Revenue	8,971,488	6,875,091	76.6%
In-lieu Transfer to General Fund	6,873,228	5,154,921	75.0%
Net Increase (Decrease) in Working Capital	1,773,712	4,149,354	233.9%
Beginning Cash Balance	5,162,285	5,162,285	
Changes in GOR	-	1,642,927	
Ending Cash Balance	6,935,997	10,954,566	

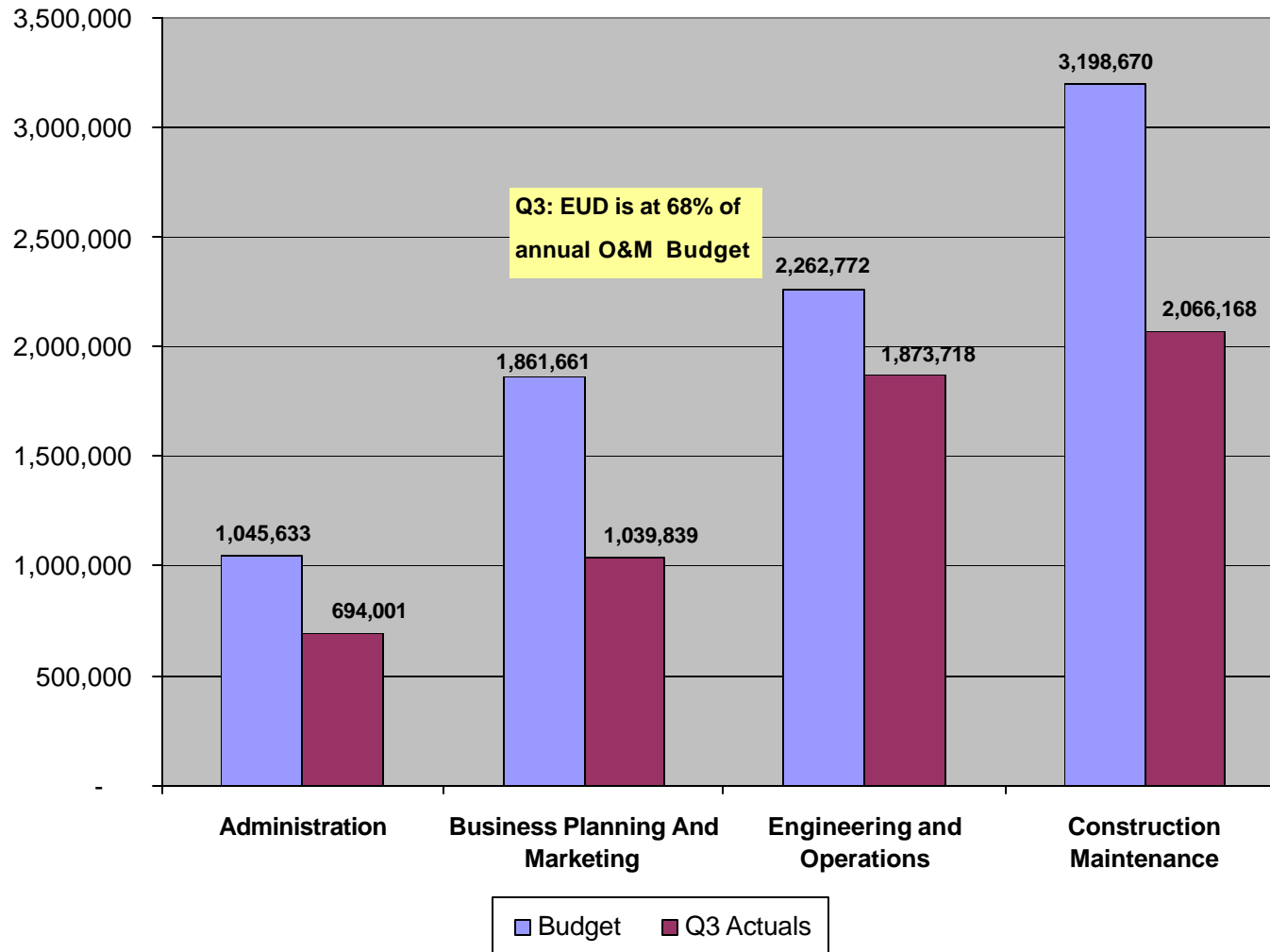


Q3 Electric Expenses (Y-T-D)

	Q3 Budget	Q3 Actual	% Q3 Budget	FY08 Budget
Personnel	4,403,998	3,927,048	89%	5,967,361
Supplies, Materials, Services	1,102,726	978,273	89%	1,382,319
Equipment, Land, Structures	732,340	596,730	81%	1,194,481
Other Payments	558,493	154,216	28%	530,770
Communication & Transportation	109,977	50,538	46%	64,470
Total Operating Expenses	6,907,533	5,706,806	82.6%	9,139,401



Operating Expenditures





Q3 Power Supply (Y-T-D)

	Estimated	Actual	Change	% Change
Generation	\$ 28,904,697	\$ 30,372,053	\$ 1,467,356	4.8%
Transmission	\$ 4,015,793	\$ 4,444,931	\$ 429,138	9.7%
Management Services	\$ 1,803,211	\$ 1,814,456	\$ 11,245	0.6%
Third Party Revenue	\$ (1,106,043)	\$ (3,776,790)	\$ (2,670,747)	70.7%
TOTAL	\$ 33,617,658	\$ 32,854,650	\$ (763,008)	-2.3%



Q3 Sales

	YTD Projections	YTD Actuals	% Difference
kWh	356,241,812	343,769,997	-3.5%
Revenue	\$ 53,591,772	\$ 53,443,880	-0.3%

	Year	HDD	Normal	CDD	Normal
July	2007	0	0	412	390
August	2007	0	0	428	363
September	2007	12	5	201	247
October	2007	68	76	23	73
November	2007	255	348	0	0
December	2007	592	609	0	0
January	2007	587	592	0	0
February	2007	439	403	0	0
March	2007	337	313	0	0
Q1-Q3 Totals		2290	2346	1,064	1,073



Q3 Billing Statistics

Projected			
Customer Class	kWh Sales	Revenue	Average Rate
Residential	123,506,103	\$ 21,487,052	\$ 0.1740
Small Commercial	130,675,094	\$ 20,708,820	\$ 0.1585
Large Commercial/Small Industrial	27,805,741	\$ 3,886,905	\$ 0.1398
Industrial	74,254,875	\$ 7,508,995	\$ 0.1011
TOTAL	356,241,812	\$ 53,591,772	\$ 0.1524

Actual			
Customer Class	kWh Sales	Revenue	Average Rate
Residential	119,182,227	\$ 21,427,756	\$ 0.1798
Small Commercial	126,100,236	\$ 20,651,672	\$ 0.1638
Large Commercial/Small Industrial	26,832,278	\$ 3,876,178	\$ 0.1445
Industrial	71,655,256	\$ 7,488,273	\$ 0.1045
TOTAL	343,769,997	\$ 53,443,880	\$ 0.1555



ECA Billing Statistics

Customer Class	Q1	Q2	Q3	Total
Residential	(159,594)	545,871	783,649	1,169,926
Small Commercial	(165,623)	586,856	808,793	1,230,026
Large Commercial/Small Industrial	(38,987)	130,455	162,325	253,793
Industrial	(100,489)	392,355	454,702	746,567
Total ECA Revenue	(464,693)	1,655,537	2,209,468	3,400,312



NCPA “GOR”

- **General Operating Reserve**
- **Provides funding for contingencies**
- **GOR levels**
 - \$4,790,663 (June 30, 2007)
 - \$6,433,590 (March 31, 2008)
- **FY07 true-up of \$847,000**
- **Geothermal Ins Recovery of \$384,000**

\$1,642,927 Increase

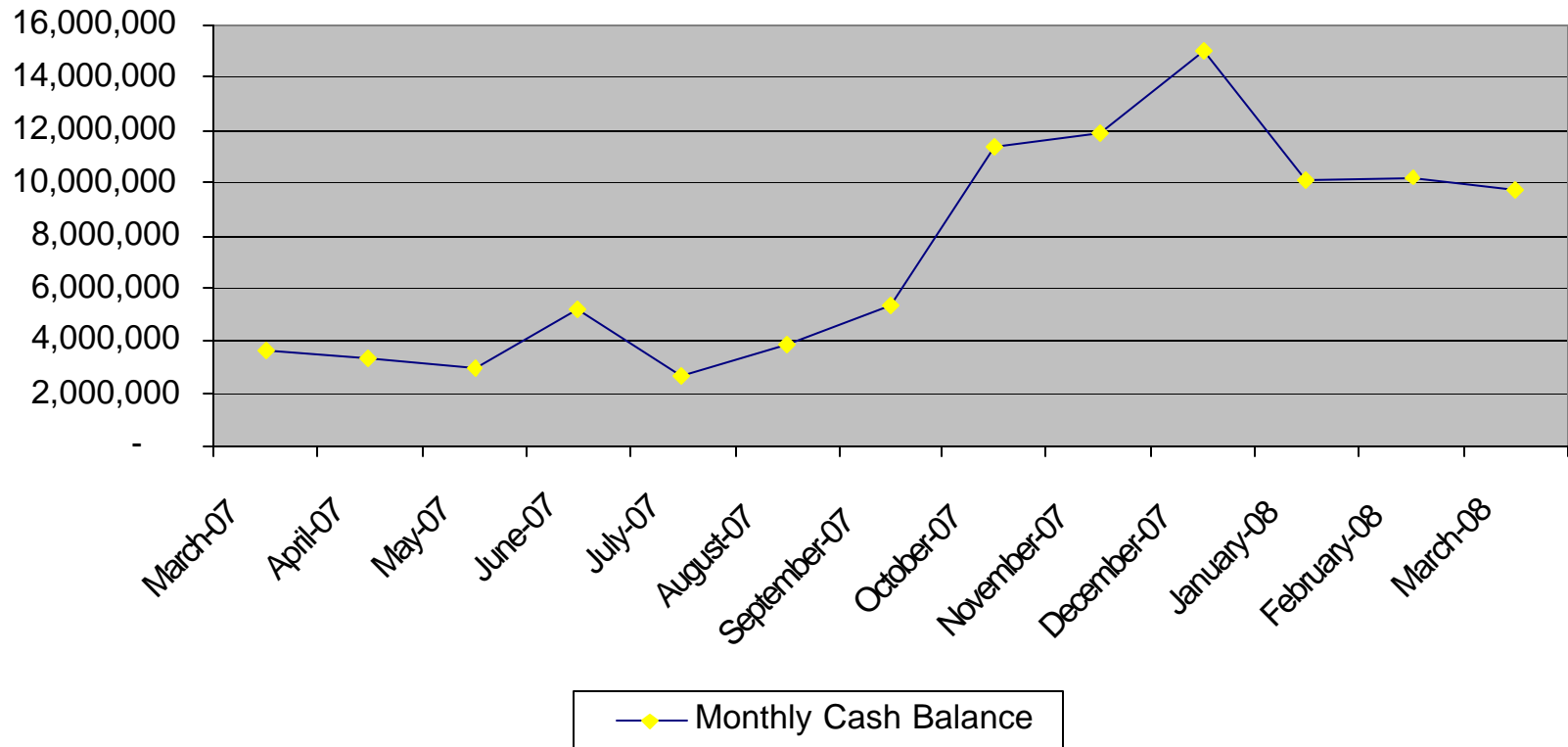


FY08 “Open Position”

	Lodi Total Surplus/(Deficit)	Load	% of Load	Lodi HLH Surplus/(Deficit)	Load	% of Load	Lodi LLH Surplus/(Deficit)	Load	% of Load
July 2007	(3,699)	53,597	-6.9%	(763)	33,935	-2.2%	(2,936)	19,662	-14.9%
August	(3,741)	49,592	-7.5%	(1,994)	32,886	-6.1%	(1,747)	16,706	-10.5%
September	222	42,940	0.5%	459	26,615	1.7%	(237)	16,325	-1.5%
October	(1,365)	38,430	-3.6%	(1,318)	25,325	-5.2%	(47)	13,105	-0.4%
November	(1,534)	35,719	-4.3%	(723)	23,150	-3.1%	(811)	12,569	-6.5%
December	(2,175)	37,802	-5.8%	(420)	23,379	-1.8%	(1,755)	14,422	-12.2%
Jan 2008	(5,948)	36,994	-16.1%	(3,754)	23,390	-16.1%	(2,193)	13,604	-16.1%
February	(5,272)	35,512	-14.8%	(3,129)	23,016	-13.6%	(2,143)	12,496	-17.2%
March	(3,176)	36,637	-8.7%	(1,568)	23,066	-6.8%	(1,609)	13,571	-11.9%
April	(4,031)	36,293	-11.1%	(4,521)	23,797	-19.0%	489	12,497	3.9%
May	(961)	39,059	-2.5%	(1,931)	25,104	-7.7%	970	13,955	6.9%
June	(3,039)	43,062	-7.1%	(1,950)	27,469	-7.1%	(1,089)	15,593	-7.0%
Net Total	(34,720)	485,638	-7.1%	(21,611)	311,132	-6.9%	(13,109)	174,506	-7.5%



Cash Balance





Summary

- Power Costs are ~\$763K under budget
- Non-power Costs decreased ~\$1.2m
- Revenues down about \$148K
- NCPA “GOR” up \$1.6M
- FY08 power costs 96% hedged for Q4
- Revenues include a one-time receipt of \$3.25M from Roseville CT1 transaction
- Overall increase in cash is about \$5.7M



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Presentation of Water and Wastewater Utility Third Quarter (Fiscal Year 2007-08) Financial Reports

MEETING DATE: April 15, 2008 (Shirtsleeve Session)

PREPARED BY Deputy City Manager

RECOMMENDED ACTION: Receive presentation of Water and Wastewater Utility Third Quarter (Fiscal Year 2007-08) Financial Reports.

BACKGROUND INFORMATION: The Public Works Department is responsible for reporting quarterly financial results to the City Council. The attached PowerPoint report summarizes such results for the Third Quarter of Fiscal Year 2007-08.

A summary of the Water and Wastewater financial performance for this reporting period is attached and summarized as follows:

WATER:

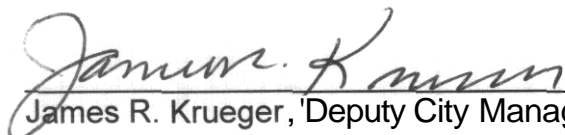
- Cash balance is \$2.65 million
- Operating revenues are on target at 74.4% of budget
- Fund operating expenses on target at 53.3% of budget

WASTEWATER:

- Cash balance is \$2.86 million
- Operating revenues are at 76.7% of budget
- Operating expenses on target at 72.2% of budget

FISCAL IMPACT: Not applicable.

FUNDING: Not applicable.


James R. Krueger, Deputy City Manager

JK
Attachments: PowerPoint Presentation

APPROVED: 
Blair King, City Manager



Water and Wastewater
FY08 Quarterly Update
(Through March 31, 2008)

City Council Meeting
April 15, 2008



Summary

WASTEWATER:

- Cash balance is \$2.86 million
- Operating revenues at 76.7% of budget
- Operating expenses on target at 72.2% of budget

WATER:

- Cash balance is \$2.65 million
- Operating revenues are on target at 74.4 % of budget
- Fund Operating expenses on target at 53.3 % of budget



Wastewater Financials

Quarter Ending 3/31/08

Cash Flow	Ending March 31, 2008		
Revenue	FY Budget	Actuals	% of Budget
Sales Revenues	8,838,600	6,777,678	76.7%
Other Revenues	510,000	863,495	169.3%
Impact Mitigation Fees	2,002,770	546,233	27.3%
Total Revenues	\$11,351,370	\$8,187,406	72.1%
Expenses			
Operating	\$5,210,090	3,760,951	72.2%
Capital Outlay	43,465,333	13,826,468	31.8%
Total Expenses	\$48,675,423	\$17,587,419	36.1%
Net Revenue for Debt Service	(\$37,324,053)	(\$9,400,013)	25.2%
Debt Service	3,339,773	1,953,346	58.5%
Net Revenue	(\$40,663,826)	(\$11,353,359)	27.9%
Less Cost of Services Transfer to General Fund	1,404,661	1,053,496	75.0%
Net Increase (Decrease) in Cash	(\$42,068,487)	(\$12,406,855)	29.5%
Beginning Cash Balance	1,757,400	4,956,069	282.0%
Other Changes in Cash	42,710,180	10,308,302	
Ending Cash Balance	\$2,399,093	\$2,857,516	119.1%

Note: Other Changes comprise proceeds from sale of 2004 COPS and other working capital items³



Wastewater Operating Expenses by Series

	FY08 Budget	FY08 Q3	% of Budget
Personnel	\$2,991,129	\$2,198,573	73.5%
Supplies, Materials, Services	1,032,686	746,617	72.3%
Equipment, Land, Structures	182,940	44,830	24.5%
Other Payments	201,870	162,974	80.7%
Communication & Transportation	801,465	607,957	75.9%
Total Operating Expenses	\$ 5,210,090	\$ 3,760,951	72.2%



Water Financials

Quarter Ending 3/31/08

Cash Flow		Ending March 31, 2008	
Revenue	FY Budget	Actuals	% of Budget
Sales Revenues	11,386,000	8,471,560	74.4%
Other Revenues	641,640	414,048	64.5%
Impact Mitigation Fees	224,000	30,748	13.7%
Total Revenues	\$12,251,640	\$8,916,356	72.8%
Expenses			
Operating	\$4,378,128	2,332,760	53.3%
Capital Outlay	4,385,916	2,629,581	60.0%
Total Expenses	\$8,764,044	\$4,962,341	56.6%
Net Revenue for Debt Service	\$3,487,596	\$3,954,015	113.4%
Debt Service	228,025	47,766	20.9%
Net Revenue	\$3,259,571	\$3,906,249	119.8%
Less Cost of Services Transfer to General Fund	1,036,399	783,231	75.6%
Net Increase (Decrease) in Cash	\$2,223,172	\$3,123,018	140.5%
Beginning Cash Balance	534,780	(475,262)	-88.9%
Other Changes in Cash			
Ending Cash Balance	\$2,757,952	\$2,647,756	96.0%

Note: PCE/TCE settlements in 07/08 (\$8 million) for mitigation efforts are not included in analysis **5**

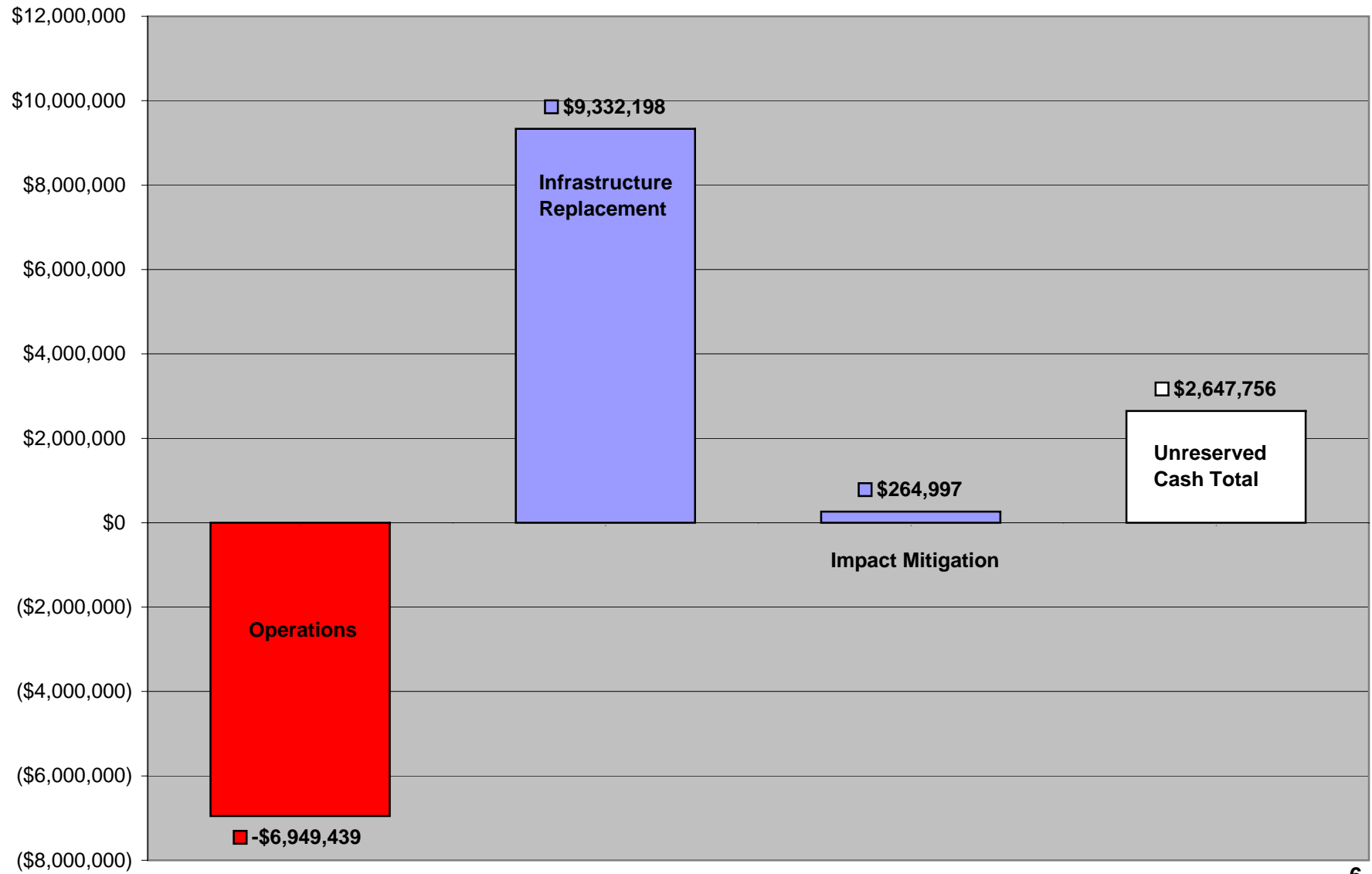


Water

Operating Expenses by Series

	FY08 Budget	FY08 Q3	% of Budget
Personnel	\$1,180,300	\$534,842	45.3%
Supplies, Materials, Services	694,411	248,030	35.7%
Equipment, Land, Structures	3,500	1,068	30.5%
Other Payments	1,620,980	988,216	61.0%
Communication & Transportation	878,540	560,604	63.8%
Total Operating Expenses	\$ 4,377,731	\$ 2,332,760	53.3%

Water Cash Balances - as of March 31, 2008



Wastewater Cash Balances - as of March 31, 2008

